

Message Text

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PAGE 01 STATE 125856
ORIGIN EB-08

INFO OCT-01 AF-10 ISO-00 AID-05 TRSE-00 SS-15 NSC-05
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DRAFTED BY EB/IFD/OMA:CHERVIN:AF/EPS:DSMITH
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AID/APR/BA:JWOOTEN
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AF/E:KWAUCHOPE
TREASURY:RBLAKE (SUBS)

-----006808 180247Z /63

P 172221Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY KHARTOUM PRIORITY

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FOR SUDAN

E.O. 11652:N/A

TAGS: EFIN, SU

SUBJECT: VISIT OF MESSRS. HORMATS AND HARROP

1. PARAGRAPH TWO BELOW CONTAINS TALKING POINTS FOR USE BY
MESSRS. HORMATS AND HARROP IN THEIR DISCUSSION WITH
SUDANESE OFFICIALS OF AN IMF STAND-BY AND POSSIBLE FINANCIAL
ASSISTANCE. TALKING POINTS D THROUGH G ARE IN ADDITION TO
THE POINTS WHICH MR. HORMATS IS CARRYING WITH HIM.

2. TALKING POINTS:

A. ADOPTING AN ECONOMIC STABILIZATION PROGRAM WOULD HAVE
IMPORTANT ECONOMIC BENEFITS FOR SUDAN. ALTHOUGH MEASURES
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SUCH AS DEVALUATION AND CUTBACKS IN GOVERNMENT EXPENDITURES
MAY BE DIFFICULT, TAKING SUCH STEPS WILL LEAD TO A MORE
EFFECTIVE USE OF RESOURCES AND CREATE A FOUNDATION FOR
STABLE GROWTH AND ECONOMIC DEVELOPMENT.

B. THE PRESENCE OF AN IMF STABILIZATION PROGRAM ALSO
ASSURES OTHER COUNTRIES AND PRIVATE LENDERS THAT ANY

ASSISTANCE OR LOANS THEY MIGHT PROVIDE WOULD BE WELL USED.

C. THE U.S. APPRECIATES THAT SUDAN IS CONFRONTING DIFFICULT ECONOMIC CIRCUMSTANCES. WE WILL BE EXAMINING WAYS IN WHICH OUR OWN AID PROGRAM AND U.S. PRIVATE INVESTMENT CAN BE BEST ORIENTED TO HELP SUDAN. WE BELIEVE, HOWEVER, THAT SUDAN MUST TAKE ESSENTIAL ECONOMIC REFORMS IF ANY ASSISTANCE IS TO BE EFFECTIVE.

D. IN THE CURRENT FISCAL YEAR WE ARE PROVIDING ABOUT \$22 MILLION IN ECONOMIC ASSISTANCE. THIS INCLUDES \$11 MILLION IN WHEAT UNDER TITLE I, PL-480, ABOUT \$3.3 MILLION IN FOOD GRANTS UNDER TITLE II (MOSTLY WORLD FOOD PROGRAM), AND AN ANTICIPATED \$7.5 MILLION FOR AGRICULTURE AND HEALTH PROJECTS.

E. FOR FY 79 WE ARE CURRENTLY PLANNING TO INCREASE THIS TOTAL TO MORE THAN \$24 MILLION, INCLUDING \$11 MILLION FOR TITLE I WHEAT, \$3.8 MILLION IN TITLE II PROGRAMS, AND ABOUT \$10 MILLION FOR DEVELOPMENT PROJECTS.

F. (IF ASKED FOR MORE FOOD AID) OUR PL-480 BUDGET FOR THIS YEAR IS VIRTUALLY ALL COMMITTED, AND WE SEE NO REALISTIC POSSIBILITY OF OBTAINING MORE TITLE I FOR SUDAN THIS FISCAL YEAR. HOWEVER, WE MIGHT BE ABLE TO HELP YOU IN FY 79 WITH COMMODITIES IN SHORT SUPPLY OTHER THAN WHEAT LIMITED OFFICIAL USE

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(POSSIBLY RICE). (FYI. PROBABLY NOT VEGETABLE OIL, WHICH SUDAN NORMALLY EXPORTS.)

G. IT WOULD BE HARD FOR SUDAN TO OBTAIN IN EXCESS OF 100,000 TONS IN CONCESSIONAL PURCHASES OF U.S. WHEAT WITHOUT FALLING SHORT OF THE USUAL MARKETING REQUIREMENT. THIS IS THE LEVEL SPECIFIED IN OUR TITLE I AGREEMENTS, BASED ON AVERAGE PAST IMPORTS, WHICH SUDAN IS TO IMPORT THROUGH COMMERCIAL PURCHASES.

H. OUR OWN OPTIONS TO PROVIDE ASSISTANCE ARE LIMITED. WE WOULD HOPE THAT SUDAN WOULD EXPLORE FULLY WITH TRADITIONAL LENDERS WHAT ASSISTANCE MIGHT BE AVAILABLE ONCE AN ECONOMIC STABILIZATION PROGRAM IS IN PLACE.

I. SUDAN FACES DIFFICULT PROBLEMS AND CHOICES. IN RECENT YEARS MANY OTHER COUNTRIES HAVE FACED SIMILAR ECONOMIC PROBLEMS AND HAVE WORKED WITH THE IMF TO DEVELOP PROGRAMS TO CORRECT THEIR DIFFICULTIES. FOR EXAMPLE, EGYPT, ZAMBIA, SIERRA LEONE, MEXICO, TURKEY, PORTUGAL, JAMAICA AND SPAIN, HAVE ALL CONCLUDED IMF STAND-BY AGREEMENTS IN THE RECENT PAST. EVEN RELATIVELY WEALTHY COUNTRIES SUCH AS THE UNITED

KINGDOM AND ITALY HAVE TURNED TO THE IMF FOR ASSISTANCE.
IN ALL THESE CASES COUNTRIES NEEDED TO ADOPT DIFFICULT
REFORMS. MANY FOUND IT NECESSARY TO REDUCE REAL WAGES,
LIMIT GOVERNMENT SUBSIDIES AND DEVELOPMENT PROGRAMS,
RESTRICT CREDIT AVAILABILITY AND DEVALUE THEIR CURRENCIES.
ONLY BY UNDERTAKING SIGNIFICANT ECONOMIC REFORMS COULD

COUNTRIES CREATE A FOUNDATION FOR STABLE GROWTH AND
DEVELOPMENT.

(IF ASKED TO INTERCEDE WITH THE IMF) THE TERMS OF AN IMF
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BETWEEN AN INDIVIDUAL GOVERNMENT AND THE IMF. THE INTE-
GRITY OF A STAND-BY PROGRAM AND ITS EFFECTIVENESS IN PRO-
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DUCING THE DESIRED ECONOMIC RESULTS AS WELL AS BOLSTERING
INTERNATIONAL CONFIDENCE WOULD BE JOEPARDIZED BY THIRD-
PARTY INFLUENCE ON THE NEGOTIATIONS. VANCE

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DRAFTED BY: AF:KCBRILL

APPROVED BY: AF:KCBRILL

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FM SECSTATE WASHDC

TO AMEMBASSY LONDON IMMEDIATE

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FOR SEITZ PLEASE PASS DAS HARROP

FOL TEL SENT ACTION KHARTOUM FROM SECSTATE DTD 17 MAY 1978
QTE

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FOR SUDAN

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Message Attributes

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